



**CALIFORNIA BOARD OF ACCOUNTANCY**

2000 EVERGREEN STREET, SUITE 250

SACRAMENTO, CA 95815-3832

TELEPHONE: (916) 263-3680

FACSIMILE: (916) 263-3675

WEB ADDRESS: <http://www.dca.ca.gov/cba>



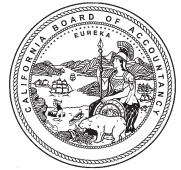
# **Notice of General Public Interest**

## **Notice of Public Hearing**

*January 2007*

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January 2007

**NOTICE OF GENERAL PUBLIC INTEREST****NOTICE OF PUBLIC HEARING**

NOTICE IS HEREBY GIVEN that the California Board of Accountancy (Board) is continuing a rulemaking action that was originally initiated in October 2006. This is an additional notice regarding the proposed text and a notice of a second hearing.

Information regarding the proposed action is described in the Updated Informative Digest. Any interested person may present statements or arguments orally or in writing relevant to the action proposed at a hearing to be held at the Sheraton Pasadena, 303 East Cordova Street, Pasadena, California 91101, 11:00 a.m. on Friday, March 23, 2007.

Written comments must be received by the Board at its office including those sent by mail, facsimile, or email to the address listed under Contact Person in this notice, no later than March 9, 2007, or must be received by the Board at the hearing.

The Board, upon its own motion or at the instance of any interested party, may thereafter adopt the proposal substantially as described below or may modify such proposal if such modifications are sufficiently related to the original text. With the exception of technical or grammatical changes, the full text of any modified proposal will be available for 15 days prior to its adoption from the person designated in this Notice as contact person and will be mailed to those persons who submit written or oral testimony related to this proposal, or who have requested notification of any changes to the proposal.

Authority and Reference: Pursuant to the authority vested by Sections 5050, 5018, and 5098, Business and Professions Code, and to implement, interpret, or make specific Sections 5097 and 5098, Business and Professions Code, the Board is considering changes to Division 1 of Title 16 of the California Code of Regulations as follows:

**UPDATED INFORMATIVE DIGEST**

On October 6, 2006, the Board mailed a Notice of Proposed Changes regarding proposed amendments to various sections of Title 16 of the California Code of Regulations (CCR). Among those regulations were Sections 68.3 and 68.4 that pertain to the retention period for audit documentation and requirements for changes in audit documentation, respectively. A public hearing on these proposed changes was conducted on December 1, 2006, as part of the Board's duly noticed meeting in San Diego, California. As a result of comments made at that hearing, the Board decided to provide an additional period for public comment and a second public hearing on these proposed changes.

The purpose of this Notice of General Public Interest is to inform the public concerning the additional period for public comment and the second public hearing.

**POLICY STATEMENT OVERVIEW****1. Amend Sections 68.3 and 68.4 of Title 16 of the California Code of Regulations.**

Business and Professions Code Business Section 5097 establishes audit documentation requirements for licensees of the California Board of Accountancy, and Business and Professions Code Section 5098 authorizes the Board to adopt regulations related to procedures for the identification, dating, and retention of audit documentation.

Title 16, CCR, Section 68.3 currently provides a start date and other requirements for the retention period for audit documentation. This proposal would amend Section 68.3 to change the start date for the documentation retention period from the report date to the date of issuance of the report (report release date).

Title 16, CCR, Section 68.4 currently provides requirements for changes in audit documentation after issuance of the audit report. This proposal would revise Section 68.4 to specify a document assembly period after the date of issuance of the report during which audit documentation may be assembled without documentation of the changes being made. Also, this

proposal would revise Section 68.4 to prohibit any removal, deletion, substitution, or editing of audit documentation after the end of the document assembly period and would require specified documentation of any additions to audit documentation that occur after the end of the document assembly period.

The objective of this proposal is to make the Board's audit documentation requirements more consistent with the requirements of the Public Company Accounting Oversight Board and the American Institute of Certified Public Accountants' Auditing Standards Board.

## **CONTACT PERSON**

Inquiries or comments concerning the proposed administrative action may be addressed to:

Name: Aronna Wong  
Address: California Board of Accountancy  
2000 Evergreen Street, Suite 250  
Sacramento, CA 95815

Telephone No.: (916) 561-1788  
Fax No.: (916) 263-3675  
Email Address: [awong@cba.ca.gov](mailto:awong@cba.ca.gov)

The backup contact person is:

Name: Carol Sigmann  
Address: California Board of Accountancy  
2000 Evergreen Street, Suite 250  
Sacramento, CA 95815

Telephone No.: (916) 561-1718  
Fax No.: (916) 263-3675  
Email Address: [csigmann@cba.ca.gov](mailto:csigmann@cba.ca.gov)

Inquiries concerning the substance of the proposed regulations may be directed to Aronna Wong at (916) 561-1788.

## **INITIAL STATEMENT OF REASONS AND INFORMATION**

The California Board of Accountancy has prepared an Initial Statement of Reasons for the proposed action and has available all the information upon which the proposal is based.

## **TEXT OF PROPOSAL**

Copies of the exact language of the proposed regulations and of the initial statement of reasons, and all of the information upon which the proposal is based, may be obtained at the hearing or prior to the hearing upon request from the California Board of Accountancy at 2000 Evergreen Street, Suite 250, Sacramento, California 95815.

## **AVAILABILITY AND LOCATION OF THE FINAL STATEMENT OF REASONS AND RULEMAKING FILE**

All the information upon which the proposed regulations are based is contained in the rulemaking file that is available for public inspection by contacting the person named above.

You may obtain a copy of the Final Statement of Reasons, once it has been prepared, by making a written request to the contact person named above or by accessing the Web site listed below.

## **WEBSITE ACCESS**

Materials regarding this proposal can be found at [www.dca.ca.gov/cba](http://www.dca.ca.gov/cba).

## TEXT OF PROPOSAL

### 68.3 Retention Period for Audit Documentation.

(a) The retention period mandated by Business and Professions Code Section 5097 shall be measured from the ~~report date~~ date of issuance of the report (report release date).

(b) If audit documentation is required to be kept for longer than seven years because of a pending Board investigation or disciplinary action, audit documentation shall not be destroyed until the licensee has been notified in writing by the Board of the closure of a Board investigation or disciplinary proceeding.

(c) Any documents required to be maintained by Business and Professions Code Section 5097 or these regulations shall be maintained in accessible form.

(d) Audit documentation shall be retained whether or not the documentation supports the auditor's final conclusions. All audit documentation regarding any significant matter related to the audit shall be retained whether or not the documentation contains information or data inconsistent with the auditor's final conclusions. Significance of a matter shall be determined based on an objective analysis of the facts and circumstances. Audit documentation to be retained shall also include all documentation of consultations on, or resolutions of, any differences of opinion regarding the exercise of professional judgment.

NOTE: Authority cited: Sections 5010, 5018, and 5098, Business and Professions Code. Reference: Sections 5097 and 5098, Business and Professions Code.

### 68.4. The Document Assembly Period and Subsequent Changes in Audit Documentation After Issuance of the Report.

(a) Audit documentation that is not completed prior to the date of issuance of the report shall be completed during the document assembly period specified in this subsection.

(1) The document assembly period is the 60-day period following the date of issuance of the report. If the report is not issued in connection with such an engagement, the document assembly period ends 60 days after the date that the fieldwork was completed. If the auditor was unable to complete such an engagement, then the document assembly period ends 60 days from the date the engagement ceased.

(2) Notwithstanding the document assembly period specified in paragraph (1) of this subsection, licensees shall comply with applicable professional standards specifying a shorter document assembly period.

(b) After the end of the document assembly period, ~~(a) Changes in audit documentation include any addition, removal, deletion, substitution, or editing of audit documentation, including, but not limited to, physical or electronic additions to any audit documentation file or preexisting audit documentation is prohibited~~ occurring after the date of issuance of the audit report which is supported in whole or in part by the audit documentation. Additions to audit documentation shall comply with the requirements in subsection (c).

(b) Except as provided in subsection (c), in (c) In addition to any other documentation required by professional standards, any changes in addition to audit documentation after the end of the document assembly period shall include the following: 1) the reason for the addition, 2) the identity of the persons preparing and approving the addition, and 3) the date of the addition. shall provide the identity of the person(s) making the change, and identity of any person(s) approving the change, the date of the change, and the reason for the change if the reason is other than the assembling of pre-existing documents: The documentation which is changed ~~added~~ shall contain sufficient detail to enable a reviewer with relevant knowledge and experience, having no previous connection with the audit engagement, to understand the nature, timing, reason for, and extent of the change ~~addition~~.

(c) During a 60-day period after the date of issuance of the audit report, documents may be added to the file for the assemblage and documentation of work previously performed: (d) Nothing in this subsection section authorizes the deferral of audit procedures required to be performed prior to the date of issuance of the report.

NOTE: Authority cited: Sections 5010, 5018, and 5098, Business and Professions Code. Reference: Sections 5097 and 5098, Business and Professions Code.

# California Board of Accountancy Directory

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Address Service Requested

Department of Consumer Affairs  
**California Board of Accountancy**  
2000 Evergreen Street, Suite 250  
Sacramento, California 95815-3832  
(916) 263-3680  
*www.dca.ca.gov/cba*

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